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March 7, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
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Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Executive Summary

This memorandum contains reports on the following Economic Development Legislation of County Interest:

- **SB 1 (Steinberg).** This measure would authorize the creation of a joint powers agreement or a governing board to implement economic development and affordable housing projects in newly created Sustainable Communities Investment Areas.
- **AB 1080 (Alejo).** This measure would authorize the formation of a community revitalization plan within a specified area to carry out the Community Redevelopment Law in a specified manner.

Economic Development Legislation of County Interest

Existing law provides for various economic development programs that foster community sustainability and community and economic development initiatives throughout the State. However, in the wake of the dissolution of redevelopment agencies in 2011 and the continuing effects of the economic recession, many cities and

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counties lack the resources needed to undertake economic development activities in a strategic manner. Two bills have been introduced that seek to address these issues.

SB 1 (Steinberg), which as introduced on December 3, 2012, would authorize a city, county, or city and county to form Sustainable Communities Investment Authority (Authority) to carry out the Community Redevelopment Law (CRL) in a specified manner. The bill would also require the Authority to adopt a Sustainable Communities Investment Plan (Plan) and would authorize the plan to include a provision for the receipt of tax increment funds, provided certain requirements are met.

As introduced, SB 1 would authorize a city or a county to form a governing body, or to collaborate and form a joint powers authority, to implement economic development and affordable housing projects within newly created Sustainable Communities Investment Areas (project areas). Project areas could be formed in transit priority areas, clean manufacturing districts, and small walkable communities. The Authorities would have all the powers, duties, and obligations that former redevelopment agencies possessed under the Community Redevelopment (CRL) law, including the CRL's affordable housing requirements and protections, but the Authorities would not be required to make blight findings.

The bill includes a provision which would require the governing body of the taxing entity to adopt a resolution authorizing the allocation of tax increment funds to the Authority, which ensures that any city or county's participation in the Authority's financing plan is voluntary. Additionally, in order to include tax increment financing in the Authority's financing plan, the local government with land use jurisdiction must adopt a sustainable parking standards ordinance and a job creation ordinance.

SB 1 is a re-introduction of SB 1156 (Steinberg) of 2012, which was vetoed by Governor Brown on September 29, 2012. In his veto message, the Governor stated that while SB 1156 would help develop and redevelop California in a more sustainable way, its attempt to create new economic development tools while cities and counties were in the process of winding down their redevelopment obligations was premature.

SB 1 is supported by American Lung Association California, Bridge Housing, California Building and Construction Trades, AFL-CIO, California Coastal Protection Network, California Federation of Labor, AFL-CIO, California League of Conservation Voters, DMB Pacific Ventures, Environment California, Los Angeles Alliance for a New Economy (LAANE), Los Angeles County Federation of Labor, AFL-CIO, Natural Resources Defense Council (NRDC), United Food and Commercial Workers, Local 770, and UNITE-HERE, Local 11. Opposition is unknown at this time.

SB 1 is scheduled for a hearing in the Senate Governance and Finance Committee on March 13, 2013.

AB 1080 (Alejo), which as introduced on February 22, 2013, would authorize cities and counties, either separately or in cooperation with each other and/or special districts, to form a Community Revitalization Investment Authority (CRIA) in certain communities. The CRIA would be authorized to carry out the Community Redevelopment Law, as specified, and invest property tax increment and bond proceeds to relieve conditions of unemployment, to reduce high crime rates, to repair deteriorating and inadequate infrastructure, to clean up brownfields, and to promote affordable housing. Consistent with the CRL, 20 percent of the CRIA's funds would be required to be set aside for the development of affordable housing.

Specifically, AB 1080 would allow for the creation of a new public entity (a Community Revitalization Investment Authority) by a city, a county, or a joint powers agreement between a city, county, and/or special district. The CRIA would be authorized to operate within a community that is characterized by an annual median household income that is less than 80 percent of the Statewide annual median income and that meets three of the following conditions: 1) unemployment that is at least 3 percent higher than Statewide median unemployment; 2) crime rates that are 5 percent higher than the Statewide median crime rate; 3) deteriorated or inadequate streets, sidewalks, water supply, sewer treatment or process, and parks infrastructure; or 4) deteriorated commercial or residential structures. These conditions would be considered blight within the meaning of the CRL, and no separate findings of blight would need to be conducted.

A Community Revitalization Investment Authority would be authorized to: 1) provide funding to rehabilitate, repair, upgrade, or construct infrastructure; 2) provide funding for low- and moderate-income housing; 3) remedy or remove hazardous substances pursuant to the Polanco Act; 4) provide for seismic retrofits of existing buildings; 5) and acquire and transfer real property. Consistent with the CRL, 20 percent of the CRIA's funds would be required to be set aside for the development of affordable housing and the CRIA would retain controls and establish restrictions or covenants running with land sold or leased using the Authority's funding.

AB 1080 would authorize a Community Revitalization Investment Authority to issue bonds; borrow money, receive grants, or accept financing or other assistance or investment from the State and Federal government or any other public agency or private lending institution; qualify for other sources of funding such as Cap and Trade funds or Federal New Market Tax Credits. Additionally, the bill includes a provision that allows for the receipt of tax increment funds by the CRIA, provided that the governing

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body of the taxing entity has adopted a resolution authorizing the allocation of tax increment funds to the Authority. Similar to SB 1 this provision ensures that any city or county's participation in the CRIA's financing plan is voluntary.

Support and opposition to AB 1080 is unknown at this time. This measure is awaiting assignment to a policy committee.

This office will continue to monitor SB 1 and AB 1080 and will report back to the Board with updates on any amendments to these bills.

We will continue to keep you advised.

WTF:RA
MR:AO:ma

c: All Department Heads
Legislative Strategist
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